

Message Text

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ACTION EUR-12

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 1579

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E.O. 11652: N/A

TAGS: EINV, PO

SUBJ: AMERICAN INVESTMENT PROBLEM

REF: (A) LISBON 3524, (B) STATE 11707, (C) LISBON 1694,
(D) LISBON 1095, (E) LISBON 4043, (F) LISBON 1664

1. MUNDET & CIA LDA. (REFS B, C AND D): A. IN RESPONSE TO REF B, COMMATT MET WITH INDUSTRY MINISTRY DIRECTOR GENERAL FOR WOOD AND CORK INDUSTRIES. GOP OFFICIALS STATED THAT MUNDET CASE NOW BEING INVESTIGATED BY SPECIAL INTER-MINISTERIAL COMMITTEE WHICH IS CHARGED TO DETERMINE ULTIMATE DISPOSITION OF FIRM WHEN GOP INTERVENTION CEASES. OFFICIAL NOTED THAT COMMITTEE HAS TWO ALTERNATIVES; RETURN FIRM TO MRS. MUNDET OR RECOMMEND THAT GOP ACQUIRE FIRM IN ORDER TURN IT INTO COOPERATIVE, WORKER-OPERATED COMPANY OR NATIONALIZED COMPANY. OFFICIAL STATED AT OUTSET THAT HE DID NOT KNOW DETAILS OF INVESTIGATION, THAT IT HAD ONLY RECENTLY BEEN UNDERTAKEN AND THAT HE COULD NOT ESTIMATE DATE OF DECISION. HE NOTED THAT MRS. MUNDET, OR REPRESENTATIVE, WOULD HAVE FULL OPPORTUNITY
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TO PRESENT THEIR POSITION.

B. DURING LENGTHY DISCUSSION GOP OFFICIAL MADE FOLLOWING OTHER POINTS: EMBASSY DIRECT CONTACT WITH INTER-MINISTERIAL COMMISSION MIGHT HAVE NEGATIVE IMPACT ON MRS. MUNDET'S INTERESTS AND ANY EMBASSY INTERVENTION SHOULD BE THROUGH FOREIGN MINISTRY. HE NOTED THAT MRS. MUNDET, OR HER REPRESENTATIVE, SHOULD MAKE THEIR OWN CASE AND THAT SHE

WOULD BE TREATED "AS ANY PORTUGUESE CITIZEN." HE DID NOT RECOGNIZE ANY INTERNATIONAL ASPECT OF CASE EVEN THOUGH MRS. MUNDET IS U.S. CITIZEN. HE STATED THAT HE THOUGHT FUTURE COOPERATION BETWEEN MRS. MUNDET AND WORKERS WOULD BE VERY DIFFICULT AND IMPLIED THAT THE FIRM HAD IMPROVED ITS COMMERCIAL AND FINANCIAL POSITION SINCE THE WORKERS TOOK CONTROL.

C. ACCORDING MUNDET'S LAWYER, HE FILED BRIEF WRITTEN SUMMARY OF MRS. MUNDET'S POSITION WITH INTER-MINISTERIAL COMMISSION. NEITHER HE NOR SHE HAS APPEARED YET. NO LEGAL ACTION HAS BEEN INSTITUTED. LAWYER PROMISED COMMATT COPY OF SUMMARY.

D. EMBASSY HAS NOT MADE ANY FORMAL REPRESENTATION ON BEHALF MUNDET BECAUSE SHE HAD NOT INITIATED ANY ACTION ON HER OWN. HOWEVER, CASE WAS ON LIST PRESENTED TO PRIME MINISTER SOARES IN NOVEMBER 1976 (REF D). EMBASSY BELIEVES MUNDET CASE WILL BE ONE OF MOST DIFFICULT CASES TO RESOLVE AMICABLY. FIRM IS LARGE AND WELL-KNOWN AND LOCATED IN COMMUNIST STRONGHOLD OF SEIXAL. PRESS HAS GIVEN WIDE PLAY TO FIRM'S SIGNIFICANTLY STRENGTHENED COMMERCIAL RELATIONS WITH EASTERN EUROPE; TRADE DELEGATIONS FROM THIS REGION OFTEN VISIT FIRM. EVEN PCP SEC GEN CUNHAL HAS PUBLICLY VISITED PLANT. IN ADDITION, MRS. MUNDET'S PERSONALITY (ARISTOCRATIC AND STRONGLY ANTI-PS) AND PERSONAL BACKGROUND ARE NOT CONDUCIVE TO SMOOTH NEGOTIATIONS. SHE IS PORTUGUESE-BORN, NATURALIZED U.S., WHO MARRIED ORIGINAL OWNER AND ACQUIRED FIRM UPON HIS DEATH. MANY PORTUGUESE WILL NOT CONSIDER HER FOREIGN. EMBASSY WILL PROVIDE FURTHER DETAILS ASAP.

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2. ITT (REF E): PROGRESS IN GOP/ITT NEGOTIATIONS BECOMING KNOWN AND CREATING REACTION. STANDARD ELECTRIC EMPLOYEES HELD GENERAL MEETING TO DEMAND EXPLANATION AND FULL DISCLOSURE ABOUT TALKS. OLIVA WORKERS MET AND SUPPORTED STANDARD ELECTRIC DOCUMENT WHICH HAD BEEN SIGNED BY 1500 WORKERS. PRESS GIVING COVERAGE TO WORKERS INITIATIVE. THUS FAR GOP HAS NOT RESPONDED.

3. FACEL: AFTER SHORT COMPLETE SHUTDOWN OF FACEL OPERATIONS IN EARLY MAY, GOP HAS AGREED TO EXTEND FOR THREE MONTHS WORKER PAYMENT SUBSIDY SCHEME ORIGINALLY AGREED TO IN FEBRUARY (REF F). ACCORDING FACEL MANAGING DIRECTOR, DURING THIS PERIOD GOP MINISTRY OF INDUSTRY, BANKS AND FACEL WILL ATTEMPT ARRIVE AT SOLUTION INVOLVING NEW INVESTMENT NEEDED TO MAKE FIRM ECONOMICALLY VIABLE. ROLE OF ADVANCE ROSS IN THESE NEGOTIATIONS UNSPECIFIED.

4. EMIL MARGHAB (REF D): COMMATT VISITED MARGHAB SHOW-

ROOM AND FACTORY IN MADEIRA AND RECEIVED FOLLOWING
INFORMATION FROM PORTUGUESE MANAGER/REPRESENTATIVE OF
MARGHAB NEW YORK. FIRM CONTINUES TO LIMP ALONG COMMERCIALY
AND FINANCIALLY AND NO CONCRETE ACTIONS HAVE BEEN TAKEN
TO DEFINE FIRM'S FUTURE. BANKRUPTCY AND/OR MASS DISMISSAL
HAVE BEEN MENTIONED AND FIRM AWAITING ANSWER FROM REGIONAL
GOVERNMENT TO FIRM'S VAGUE, ORAL PROPOSAL TO SELL BUILD-
ING TO REGIONAL GOVERNMENT TO BE UTILIZED AS MUSEUM.
UNDER THIS PLAN MARGHAB WOULD PAY OFF WORKERS WITH PRO-
CEEDS. MEANWHILE, FIRM LOSSES WERE SIGNIFICANTLY LOWER
IN 1976 THAN 1975. FIRM BROKE EVEN DURING FIRST
QUARTER 1977 BUT IS NOW BACK IN RED DUE TO 20 PERCENT WAGE
INCREASE (TO MINIMUM WAGE) AND PRODUCTION LOST DUE TO
TWO STRIKES WITHIN ONE MONTH.

5. GENERAL INSTRUMENTS LUSITANA: GIL VICE
PRESIDENT SHUH IN LISBON NEGOTIATING WITH GOP. SEPTTEL
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WILL FOLLOW WITH DETAILS.
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